Payment for Prescriptions Drugs for Healthy Families Program (HFP) Children with Serious Emotional Disturbance (SED) Conditions

Background

The Healthy Families Program (HFP) includes coverage for treatment of mental health conditions and substance abuse. HFP contracted health plans provide inpatient and outpatient mental health care, including prescription drugs, in compliance with the mental health parity provisions of the Knox-Keene Health Care Service Act of 1975 (Health and Safety Code §1374.72).

If a child is thought to have a serious emotional disturbance (SED) as defined in Welfare and Institutions Code §5600.3, the HFP plan refers the child to the local county mental health department for an assessment [10 CCR §2699.6700(a)(10)]. If the mental health department determines that the child meets the SED criteria, the plan continues to be responsible for covering up to 30 days of inpatient care per year. The county provides other necessary treatment for the SED condition through a Memorandum of Understanding with the HFP plan. HFP plans continue to cover all other needed services, including mental health care that is not related to the SED condition. However, the "referral does not relieve a participating plan from providing the mental health coverage specified in its contract, including assessment of, and development of, a treatment plan for serious emotional disturbance." (Insurance Code §12693.61).

Medi-Cal Managed Care

In Medi-Cal managed care, all specialty mental health services are excluded from the plans' contracts although some prescription drugs are covered by plans. Children enrolled in Medi-Cal managed care plans who need treatment for a mental health condition are referred to the county mental health plan (under the Medi-Cal Specialty Mental Health Services Program). Counties and the federal government cover the cost (50/50) to treat mental health conditions for Medi-Cal beneficiaries, except the state pays 45% of the non-federal share for services provided to children under the Early Periodic Screening, Diagnosis and Treatment (EPSDT) program and counties pay 5%. Mental health services, including prescription drugs, provided by the county to Medi-Cal beneficiaries are billed through the state's Medi-Cal Fiscal Intermediary (FI).

There are approximately 60 medications that are not included in the Medi-Cal managed care plan rates; these medications are claimed through FFS Medi-Cal. Medi-Cal beneficiaries get these prescriptions filled at local pharmacies which then bill Medi-Cal for reimbursement. Prescription drugs to treat SED are often very expensive and their costs are increasing. (Attachment I lists the medications not included in the Medi-Cal managed care contracts.)

Healthy Families Program

For HFP children, most services to treat SED are provided through the counties and reimbursed through the Short-Doyle Medi-Cal (SD/MC) claiming system. The county pays 35% and the federal government pays 65%. However, there is no claiming mechanism currently in place for reimbursing counties or retail pharmacies for the cost of prescription drugs for HFP children with SED. This has been a problem since HFP began 11 years ago.

How are drugs to treat SED paid for now?

There are several ways in which prescription drugs for children with SED are provided:

- County mental health departments, through either the county pharmacy or retail pharmacies, provide the drugs and pay the full cost.
- HFP health plans sometimes cover the cost of the prescription drug.
- HFP families bear the entire cost of the medications for a child with SED.
- Some children may go without the needed medication if neither the county nor the plan provides it.

MRMIB has been working to find a solution to this problem. Staff has been meeting and consulting with the Department of Mental Health (DMH), the Department of Health Care Services (DHCS) and the County Mental Health Directors Association (CMHDA). The group has discussed several options about how the counties could claim for the prescription drugs in an efficient and cost-effective manner that would ensure that children with SED conditions receive the necessary medications to treat their conditions.

This memo describes the options under consideration.

Options for Payment of Prescriptions to Treat SED

1. **Medi-Cal Fiscal Intermediary (FI)** – Like the system presently used by Medi-Cal to obtain the federal match for certain prescription drugs, a county pharmacy or private pharmacy would bill the state through the Medi-Cal FI for prescriptions for HFP children. The state would pay the pharmacy, and then make a claim for the federal match. For Medi-Cal beneficiaries, the state pays the non-federal match (50%). Beneficiaries would be issued a Beneficiary Identification Card (BIC) which counties and private pharmacies would use to check eligibility and bill the state.

   Advantages:
   - Counties would no longer have to cover the cost of the medications.
   - Pharmacies are familiar with the system as this is how they bill for prescription drugs provided to Medi-Cal beneficiaries.

- DHCS is in the process of reprocuring the FI contract. At MRMIB's request, this activity has been added to the scope of work to keep this option open. The new FI contract will be awarded in mid-2009.

Disadvantages:

- DHCS would use the same authorization process for HFP prescriptions as it uses for Medi-Cal, which would result in counties giving up some control over what is authorized for HFP children.
- DHCS would incur additional staffing costs at their field offices to conduct prior authorization reviews.
- Payment for prescriptions for HFP children would be at the amount Medi-Cal pays for prescriptions which currently is based on the Average Wholesale Price (AWP) less 17% plus a $7.25 per prescription dispensing fee.
- DHCS would have to obtain the 35% match from DMH and/or the counties.
- DHCS would need to create a new aid code for HFP children with SED conditions for prescriptions only.
- HFP subscribers would have to present the BIC card when obtaining prescription drugs.
- This option would not be implemented for 2-3 years.

2. **Short-Doyle/Medi-Cal System (SD/MC) –** Under this option, payment for prescription drugs would be handled in the same manner as payment for other mental health services. Pharmacies bill the county for prescription drugs. Counties send the claims to DMH. DMH sends the claims to DHCS. DHCS adjudicates and draws down the FFP. DMH then pays the counties based on the DHCS adjudication**.** The state pays 45% of the non-federal match for EPSDT mental health services (counties pay 5%) and the counties pay the non-federal match for non-EPSDT services**.** There is no EPSDT in HFP; therefore counties would pay the non-federal (35%) match.

   Advantages:

   - Counties would receive the 65% FFP for the cost of the medication.
   - The system is already in place for counties to pay the 35% match.
   - This is the option the counties prefer.

   Disadvantages:

   - DHCS is currently making changes to SD/MC system and expects to have those changes completed by July 2009. However, DHCS is unable to include this option in its modifications by that date.
   - This option would likely require a separate Feasibility Study Report (FSR) which would require funding. A solution to this problem could not occur until the FSR is completed which would take additional time.
   - As a result of the DHCS change to the SD/MC system, counties have to retool their systems and, depending on when this option is implemented,

would require them to make additional changes for which they may want additional funding.
- Funding for the changes to the SD/MC system would be required.
- Counties, DHCS and DMH will likely want more resources to process claims.
- There could be additional costs to the counties to implement the system changes.

3. **Carve-In All SED Treatment -** Carve-in to the HFP plans all services and treatment for SED conditions. The system for counties to claim federal funds would be disabled unless they could demonstrate they provided services to HFP children that were not paid by the plans. There may be some concerns about double billing.

   Advantages:
   - HFP plans would be responsible for all mental health services to subscribers, including services for SED.
   - There is the potential for improved continuity and coordination of care for children with mental health conditions as all services would be provided through the plans' networks.
   - The cost of services to treat HFP children with SED would be included in plan rates.
   - MRMIB would have data on all mental health services provided to HFP children and thus could better monitor the services provided.
   - Plans could choose to contract with county mental health departments (as they have the option to currently) to provide some or all mental health services to HFP children.

   Disadvantages:
   - This option would require a statutory change.
   - Counties offer a rich array of services such as case management, treatment for co-occurring disorders (e.g., substance abuse), crisis intervention and day treatment that plans may not provide. However, based on data provided to MRMIB from the counties, it appears that very few HFP children are receiving the full array of services. This could be due to insufficient county resources to provide these services to HFP children.
   - Plans will want rate increases to provide services to children with SED.
   - Counties may still end up serving some number of HFP children with SED conditions because referrals often come from sources other than the plans (e.g., schools) but the counties would not receive the 65% FFP for serving these children.

4. **Carve-in Prescription Drugs to Treat SED** – Carve-in to the plans the prescription drug costs for HFP children with SED. County providers would continue to provide all inpatient and outpatient services for children with SED.

Prescriptions written by county providers would be covered by the plans. The cost for those prescriptions would be included in plan rates.

Advantages:

- Children would get all prescription drugs through the plans.
- Retail pharmacies would bill the plans for all prescriptions, including those to treat children with SED.
- Counties would not incur the high costs for the medications.
- The cost of the medications would be included in plan rates.
- MRMIB would have data on all prescription drugs provided to HFP children with SED.

Disadvantages:

- May require a statutory change.
- Plans will want rate increases to cover the cost for prescriptions.
- Plans do not want county providers prescribing the medications. County providers are not part of the plan's network and the plans do not want the liability for an error made by a non-network provider, or the inability to prescribe a lower cost prescription drug.
- Each plan may have a different formulary (list of covered drugs).

5. **Pharmacy Benefits Manager (PBM)** – MRMIB solicits a Pharmacy Benefits Manager (PBM) to:
   - Authorize and pay for all HFP prescription drug claims; **or**
   - Manage prescription drug claims only for HFP children with SED.

   Neither plans nor the counties would be responsible for paying for prescription drugs for children with SED. County pharmacies and private pharmacies would send claims to the PBM. MRMIB would draw down the FFP.

   Advantages:

   - MRMIB would obtain data on all prescription drugs provided to HFP children.
   - MRMIB, in consultation with plans, counties, and the PBM, would develop the formulary for prescription drug coverage and carve-out those drugs from the plans' coverage and rates.
   - Plans would not be concerned about county providers writing the prescriptions as the medications would be carved out of the plans' contracts.

   Disadvantages:

   - MRMIB would need additional staff and funds for a PBM vendor contract.
   - There could be a cost to counties, and potentially private pharmacies, to implement the new billing process.
   - Counties would have less control over the prescription drug formulary.

- There would be increased state costs for the 35% match.
- If MRMIB bills the counties for the match, there will be increased administrative costs to bill and track county payments.

MRMIB staff is still researching and evaluating these options and their potential costs.

ATTACHMENT I

The following medications are *not* included in Medi-Cal managed care capitated rates and are claimed through FFS Medi-Cal via the Medi-Cal FI:

Amantadine HCI
Molindone HCI
Aripiprazole
Olanzapine
Benztropine Mesylate
Olanzapine Fluoxetine HCI
Biperiden HCI
Perphenazine
Biperiden Lactate
Phenelzine Sulfate
Chlorpromazine HCI
Pimozide
Chlorprothixene
Proclyclidine HCI
Clozapine
Promazine HCI
Fluphenazine Decanoate
Quetiapine
Fluphenazine Enanthate
Risperidone
Fluphenazine HCI
Risperidone Microspheres
Haloperidol
Thioridazine HCI
Haloperidol Decanoate
Thiothixene
Haloperidol Lactate
Thiothixene HCI
Isocarboxazid
Tranylcypromine Sulfate
Lithium Carbonate
Trifluoperazine HCI
Lithium Citrate
Triflupromazine HCI
Loxapine HCI
Trihexyphenidyl
Loxapine Succinate
Ziprasidone
Mesoridazine Mesylate
Molindone HCI
Olanzapine
Olanzapine Fluoxetine HCI
Perphenazine
Phenelzine Sulfate
Pimozide
Proclyclidine HCI
Promazine HCI
Quetiapine
Risperidone
Risperidone Microspheres
Thioridazine HCI
Thiothixene
Thiothixene HCI
Tranylcypromine Sulfate
Trifluoperazine HCI
Triflupromazine HCI
Trihexyphenidyl
Ziprasidone
Ziprasidone Mesylate